



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Mayor Reed  
& Councilmembers  
Rocha, Campos &  
Liccardo

**SUBJECT:** AIRPORT GROUND  
TRANSPORTATION PROGRAM

**DATE:** February 28, 2014

Approved

Date

RECOMMENDATION

- 1) Accept the City Auditor's report on Taxi Service and Regulation in San José.
- 2) Decline to approve **Recommendation A** as contained in the staff report dated January 24, 2014 and provide the following alternative direction:
  - a. Direct staff to return through the budget process with a proposal to set Taxi fees that accomplishes the following:
    - i. The Council should continue to set the fees instead of delegating that function to the Airport Director
    - ii. The Ground Transportation Trip Fee should be set at \$2.30
    - iii. Drop-off fees should be eliminated for the entire ground transportation program, as recommended by staff
    - iv. The intent of these rate changes is to achieve cost recovery
  - b. Direct the City Auditor to perform an audit of the ground transportation and on-demand program to determine whether the Airport staff time billed against those programs is consistent with the work actually performed, and whether fees collected adequately recover costs for work performed.
- 3) With respect to **Recommendation B**, amend the staff recommendation to approve Option #3 with the following direction:
  - a. Extend the contract with dispatch manager Taxi San José for a period of two years.
  - b. Eliminate all off-airport service obligations.
  - c. Do not re-issue Airport Taxi permits that are relinquished by the current permit holder for a period of two years, or until the average Airport wait time is below 60 minutes.
  - d. Do not perform another reallocation of permits between taxi companies over the next two years, thereby holding the ratio of permits between companies as it is now.
  - e. Direct staff to return with a recommendation for either regulating or banning Transportation Network Companies in an effort to recover fees for prearranged trips.
- 4) Given the interest from our colleagues in pursuing Option #2, direct staff to return to Council in 18 months with a more detailed and specific proposal as to how Option #2 would be implemented.

## **ANALYSIS**

Our recommendations present what we believe is a balanced compromise position that takes into account both staff's recommendations and the memo released by our colleagues recommending Option #2.

### **Fees**

Airport staff proposes increasing the exiting trip fee and establishing a new on-demand fee, which would significantly increase per-trip costs for taxi drivers. Staff argues that such increases are necessary to achieve full cost recovery. We remain somewhat skeptical that \$618,000 is needed to run the on-demand program, on top of the \$1 million we spend to run the ground transportation program, on top of the \$1 million Taxi San Jose spends to run dispatch operations. We are, however, open to being convinced. What we propose is that the Council increase the trip fee to \$2.30, as recommended by staff, but require that any further fee increases be reviewed by the Auditor before implementation to ensure that they are truly necessary to achieve cost recovery.

Staff also recommends that the Council delegate authority to the Airport Director to set trip fees. Given the ongoing questions about appropriate fee levels, we recommend that the Council continue to set fees for now.

Below is a summary of the fees as they exist currently, as proposed by staff, and as proposed in this memo.

Issue	Existing	Staff Proposal	This Memo
Who sets trip fee	The Council	Airport Director	The Council
Trip Fee*	\$1.50	\$2.30	\$2.30
On-Demand Fee	doesn't exist	\$1.95 (for Option 3)	doesn't exist
Average Per Trip Cost of Taxi San Jose Permit**	\$3.50	\$3.50	\$3.50
Total Cost Per Trip	\$5.00	\$7.75	\$5.80
Drop-Off Fees	Eliminated for taxis	Eliminated for all operators	Eliminated for all operators

\*Existing trip fee is assessed on both drop-offs and pick-ups, while both staff's proposal and our proposal would assess it only on pick-ups

\*\*Subject to change depending on dispatch costs or number of trips

### **Service Model**

The most important consideration for us in choosing a service model is whether Airport customers are receiving high quality service. Given that the current model seems to provide good service, we see no immediate reason to go in a different direction, and thus recommend adopting staff's Option #3.

We do recognize, however, that some in the Taxi industry and on the Council would like to pursue Option #2. We are not currently convinced that Option #2 is either a good or bad idea—it would be a major change that could come with any number of challenges—but in the spirit of compromise we are open to considering it should the case be made that Airport staff has the capacity to implement and manage the system without creating new problems. We propose that staff be directed to develop a more detailed plan for Option #2 over the next 18 months that would identify potential problems with the model and attempt to show how they could be avoided. Even if one wants to pursue Option #2, as we know some of our colleagues do, it's always a good idea to look before you leap, especially on an issue as complex as this one. Taking some time to do more work would be a wise approach.

Given this additional work on Option #2, we recommend simply renewing the Taxi San Jose contract for another two years instead of going out for an RFP right now. We would have the ability to choose to pursue an RFP when the 18 months are up.